

Exhibit B

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:) File No. HO-13388-A
) AMENDED 12-5-2018
KIK INTERACTIVE) AMENDED 12-11-2018

WITNESS: Peter Heinke

PAGES: 1 through 264

PLACE: U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

DATE: Thursday, September 20, 2018

The above-entitled matter came on for hearing,
pursuant to notice, at 9:40 a.m.

Diversified Reporting Services, Inc.

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1 **for the long term?**

2 A I should have probably not used the word
3 "bought," because it implies a certain action as much
4 as they were in support of and understood what our
5 project was and the long-term nature in what we were
6 looking at doing.

7 **Q And the way Pantera would be supportive was**
8 **to hold the Kin tokens for the long term?**

9 A For a period of time, yes. I mean, we had
10 no restrictions on them. We had vesting on all of the
11 presale investors in order to prevent that sort of
12 scenario happening. But -- so that was our goal there.

13 MR. MENDEL: What did you do to make sure
14 that the public sale participants were going to be
15 participants in this ecosystem that you're describing?

16 THE WITNESS: Well, first of all, we wanted
17 a broad base, like a lot of these -- the TDs that we
18 saw in the past. They were, like, set groups getting a
19 large percentage of the currency. And the price would
20 drive up and the ecosystem would basically fail. And
21 in a lot of cases, it wasn't even developed. In our
22 case, we wanted to have as broad of distribution as
23 possible.

24 And we also wanted to KYC people which we
25 thought would hold back the speculative nature of the

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1 I understood that was through watching -- was it the --
2 there's a Netflix -- I don't know if you've seen it,
3 but there's a Netflix documentary. And Fred Wilson is
4 in it with the -- and they're talking to the state
5 legislator about cryptocurrency and everything else.
6 And that's when the legislator put in the requirement
7 that in order to sell cryptocurrency in New York, you
8 had to have a bit license.

9 And that fellow then left being a
10 legislator, and he's a consultant now to get people to
11 get their crypto licenses. So -- but that was a big
12 problem for us because we couldn't even, like sell, to
13 our employees, we couldn't purchase in New York.

14 MR. MURTHA: Were any of the SAFT
15 purchasers located in New York?

16 THE WITNESS: I think SAFT was different
17 because it was a security at the time and not a
18 currency. But I'd have to go back and take a look.

19 MR. MENDEL: What about the KYC process as
20 to holding back the speculative nature of the presale?

21 THE WITNESS: There wasn't a specific thing
22 that we could do, other than if we had -- we broadened
23 the user base, we had less risks with volatility on the
24 speculation. A side part of it was, like, if one
25 person had, like, 500 coins and sold it, it wasn't

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1 people. And then also that -- so the KYC was one
2 aspect of it. And then we had no limits on the bottom,
3 like anybody could buy. If they wanted to buy two or
4 three coins, they could buy two or three coins. So it
5 was getting as broad a distribution as possible.

6 MR. MENDEL: But there was no inquiry, was
7 there, to, say, individual investor A, like, "Hey, you
8 intend to use this coin?"

9 THE WITNESS: No, we didn't. Couldn't
10 really do that with 17,000 people.

11 MR. MENDEL: Well, it wasn't 17,000 people.
12 It's 10,000 people, right?

13 THE WITNESS: The preregistration was
14 17,000, because that included people in China, in
15 Canada. And we restricted people in New York. So
16 there were a lot of people that -- and then there were
17 any ones that were -- not a lot, that we ran through
18 OFAC that didn't qualify.

19 So we went through all of that screening
20 process in order to satisfy, you know, more so the
21 currency and AML issues at the time.

22 MR. MURTHA: Okay. Why did you restrict
23 people in New York?

24 THE WITNESS: Because you needed a bit
25 license to sell to New York. I didn't -- the only way

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1 going to be a problem. But if you had a high
2 concentration of people in a certain area, that would
3 be a problem, right?

4 We had some larger buyers in the TDE. I
5 don't know if you recall the process we ran. We had
6 everybody register, right? And then what we did is
7 we -- based on that registration, we divided the amount
8 of coin that was available by those number of users.
9 So everybody could buy in the initial tranche that
10 amount of currency. So I think the average was
11 probably like -- I can't really recall, but it's
12 probably around 2700 or something.

13 And then, after the 24-hour period, if
14 there was anything available, you could end up buying a
15 larger amount. And in some cases, like I think you
16 could have brands buy in, you could have other people
17 buying in that were using it for other purposes. I'm
18 not sure if Beta -- I don't know who bought it that
19 second tranche, but Betaworks might have been one of
20 them, but I can't really recall.

21 MR. MENDEL: Is there anything else
22 specifically part of the KYC process?

23 THE WITNESS: No. KYC was mainly done
24 for -- I mean, the main purpose of KYC was to
25 discourage the AML basically, because we see -- we saw

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PLACE: U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

DATE: Friday, September 21, 2018

The above-entitled matter came on for hearing,
pursuant to notice, at 9:48 a.m.

Diversified Reporting Services, Inc.

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1 Q Yeah. Feel free.
 2 A Okay.
 3 Q So this is a press release that Kik
 4 released?
 5 A Yes.
 6 Q Okay. At this point, did -- sort of -- is
 7 this a description -- is this the time when this --
 8 around this October 29th, 2017 time, is that when Kik
 9 told people sort of how the token distribution event
 10 would work?
 11 A Sorry. Did you say October? August you
 12 mean?
 13 Q I'm sorry. August. Let me start over.
 14 A Yeah.
 15 Q Did Kik tell people using this press
 16 release around August 29, 2017, how the token
 17 distribution event would work?
 18 A I guess so. I don't know if there was
 19 other communication, but this is -- it says to learn
 20 more about it and register at -- for the TDE, please
 21 visit this site, right on the last line there.
 22 Q Yeah. Kin.kik.com site.
 23 A Yes.
 24 Q Sure. So did the -- did Kik tell people
 25 that the token distribution event would start on

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1 September 12th?
 2 A That's what it says in this press release.
 3 Q And was that true?
 4 A Yes. That was --
 5 Q That was the plan at the time?
 6 A Yes.
 7 Q And is that actually what happened?
 8 A I believe -- I can't -- I think it got
 9 delayed by a little bit, but not a lot. I don't --
 10 Q You don't know exactly what day it was?
 11 A No.
 12 Q Did Kik tell people they needed to register
 13 beforehand --
 14 A Yeah.
 15 Q -- if they wanted to buy tokens?
 16 A Yes.
 17 Q Okay. And did people need to register if
 18 they wanted to buy tokens?
 19 A Yes.
 20 Q And there's -- if you look down at the
 21 bottom of this press release, it says, "All who wanted
 22 to participate in the TDE must register by
 23 September 9th, 9:00 a.m. ET." Do you see that?
 24 A Yes.
 25 Q Was that true?

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1 A Yes.
 2 Q So people needed to register by that
 3 deadline if they wanted to buy in the TDE?
 4 A Yes.
 5 Q Okay. As part of the registration process,
 6 did people need to provide information to Kik to prove
 7 their identity?
 8 A Yes.
 9 Q Did they have to prove where they were
 10 located?
 11 A Yes.
 12 Q Their address?
 13 A Yes.
 14 Q Did Kik hire a company with experience in
 15 the business of client identification verification?
 16 A We didn't hire a company. That's where we
 17 hired the consultant.
 18 Q Consultant, who was the consultant?
 19 A Scott Benson.
 20 Q Okay. And why him?
 21 A He had AML experience. So this gets back
 22 to discussion we had yesterday about KYC. And we
 23 looked at it as a currency, and therefore we had to
 24 follow KYC rules and --
 25 Q Did Kik hire any outside contractors to

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1 help him actually do the work?
 2 A Yes.
 3 Q Who was that?
 4 A I can't remember the name of the company,
 5 but these were companies that -- as an example, the
 6 certain level of the people that were buying the
 7 tokens, they had to compare -- we had to compare their
 8 password to a selfie. And so there's technology
 9 that --
 10 Q Passport did you say?
 11 A Passport. Sorry. Yeah.
 12 Q Yeah.
 13 A And they would submit a copy of their
 14 passport, and then they would have to take a selfie.
 15 And then the computer would compare the two, right?
 16 And if they were okay, then they would -- it would go
 17 to process for validation.
 18 In a lot of cases, that computer program
 19 didn't work exactly well, so we had a lot of, like,
 20 rejections that we had to review manually. So
 21 everybody actually took part in some process of going
 22 through and doing that.
 23 Q The computer technology you're describing,
 24 that's not Kik's technology?
 25 A No.